BARTON BRANDS
INC.

ANNUAL REPORT 1970

The Company's new name and symbol, which appear on the cover of this annual report, are part of the Company's program of intensified national brand identification.

Contents

Financial Highlights

YEAR ENDED JUNE 30	1970	1969	Change
Net Sales	**$120,066,943**	$114,218,485	+ 5%
Federal Excise Taxes	**82,714,000**	79,282,000	+ 4%
Net Income Before Taxes on Income	**4,133,535**	3,746,223	+10%
Provision for Taxes on Income	**2,100,000**	1,926,000	+ 9%
Net Income	**2,033,535**	1,820,223	+12%
Net Income as Percent of Net Sales less Federal Excise Taxes	**5.4%**	5.2%	+ 4%
Earnings Per Share of Common Stock	**.79**	.71	+11%
AT JUNE 30			
Total Assets	**74,811,158**	75,187,442	— 1%
Total Liabilities	**47,974,403**	50,645,673	— 5%
Working Capital	**42,779,090**	42,779,069	—
Shareowners' Equity	**26,836,755**	24,541,769	+ 9%
Book Value Per Share of Common Stock	**10.39**	9.50	+ 9%

Per share figures based on 2,563,126 shares outstanding as of June 30, 1970.

Lester S. Abelson
President

Oscar Getz
Chairman of the Board

Morton S. Abelson
Executive Vice President

Fiscal 1970 marked a year of significant achievements for Barton Brands:

- Net income increased by 12 per cent on a 5 per cent increase in net sales.
- Continued strong growth of case sales reflected benefits of Barton's concentration on major brand marketing.
- Profit margins (net income as a per cent of sales less federal excise taxes) for the year rose to 5.4 per cent from 5.2 per cent in Fiscal 1969.
- Canadian Mist continued to achieve outstanding successes as Barton's first national brand.
- A $5 million marketing communications plan underway introduces two additional brands nationally in Fiscal 1971 and intensifies our effort with Canadian Mist.
- Reflecting our new marketing approach, our name was changed from Barton Distilling to Barton Brands, Inc.
- Barton was listed on the American Stock Exchange

Earnings for the fiscal year ending June 30, 1970 amounted to $2,034,000 or 79 cents per share compared with earnings of $1,820,000 or 71 cents per share for the prior year. Per share earnings were based on 2,563,126 shares outstanding on June 30, 1970.

Net sales for the fiscal year amounted to $120,067,000, an increase of 5 per cent over the $114,218,000 achieved in 1969.

Case goods sales during the fiscal year reached a record of $117,293,000 compared with $110,637,000 a year earlier. These sales currently are commanding a higher percentage of total sales than ever before reflecting the benefits and wisdom of our plan to concentrate on principal brands marketing. Last year, eight brands accounted for 70 per cent of our total case goods sales and four of these—Canadian Mist, Kentucky Gentleman, House of Stuart and Very Old Barton, contributed over 45 per cent of the sales volume.

The intense program surrounding Canadian Mist continued to produce outstanding results during the fiscal year. First introduced in 1966, the product is expected to become the Company's first million case seller

in Fiscal 1972. Canadian Mist case sales for Fiscal 1970 reached 700,000, up from 470,000 in the previous year and 113,000 in 1967. During the year it was the fastest growing brand of whisky in the United States.

Plans, formulated during Fiscal 1970, to apply similar national brand concentration on Very Old Barton and House of Stuart, were announced during our annual marketing conference. Very Old Barton is the subject of a $1 million advertising campaign aimed at placing the brand among the top bourbon sellers in five years.

House of Stuart, until only recently in limited markets, has expanded into all major Scotch consuming areas. A new bottle and label have been designed for this fine product.

All in all, a total of $5 million in marketing communications expenses will be invested this year on Canadian Mist, Very Old Barton and House of Stuart. Strongest promotional support will be provided Canadian Mist. Full color ads, for example, will appear in both Playboy and Life magazines.

In view of these accelerated efforts, major increases in our production facilities are planned. Of key importance is the automated bottling facility that we plan to construct near our Bardstown, Kentucky distillery. The new installation will more than double our present capacity of 75 million bottles a year. Ground breaking is planned this fall with completion by September 1971.

Canadian Mist's profit margins are expected to increase sharply in Fiscal 1971 because of lower bulk whisky costs. In Fiscal 1970, over 50 per cent of the required bulk whisky was acquired from outside sources. This year, over 75 per cent of whisky used in Canadian Mist will have been distilled, aged and blended at Barton's own Collingwood, Ontario distillery.

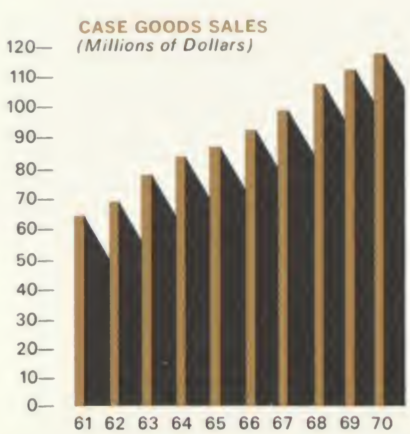
The Company regretfully announces the retirement of George N. Saum as a director of the Company. Mr. Saum has served as a director for four years, during which he made an important contribution to the recent turnabout in the Company's performance. With Mr. Saum's retirement, the Company's By-Laws have been amended to reduce the number of directors from seven to six.

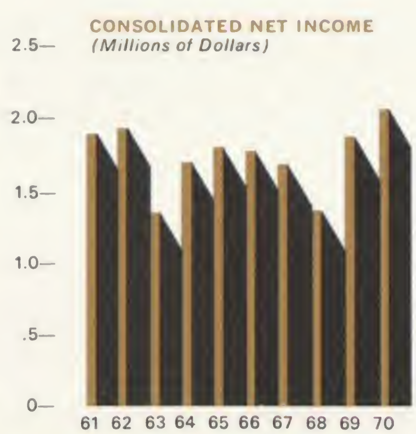
Fiscal 1970, in terms of accomplishments, proved to be the most outstanding in Barton's 26 year history. We are grateful for the continued loyalty of our employees and distributors and appreciate the confidence afforded us by our customers, lenders and shareowners.

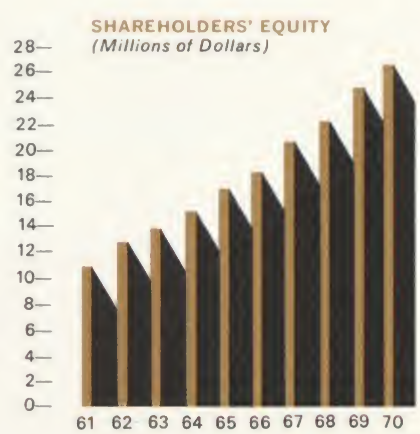
We look forward to the current fiscal year as a period in which we will again set new records. Thank you for your continued support.

Oscar Getz
Chairman of the Board

Lester S. Abelson
President







The next five years
A strategy for growth

Prologue

Two years ago, in our 1968 Annual Report, we talked about 1967-68 as a "turning point in the marketing posture of Barton."

Following a revitalization of its marketing activities, the Company began to make significant strides. Here are some indicators of this progress:

- The Company's four major brands—Canadian Mist, Kentucky Gentleman, House of Stuart, and Very Old Barton—grew from 39 per cent of total Company sales in 1967-68, to 46 per cent in 1968-69, and to 53 per cent in 1969-70.*
- One of these major brands, Canadian Mist, became the industry's fastest growing brand during this period. Calendar 1969 sales were 71 per cent greater than the prior year; for Fiscal 1970, sales were 700,000 cases, 49 per cent greater than the prior fiscal year and ahead of the long-term objective, first announced two years ago, of selling one million cases annually by 1972.
- The eight principal brands of the Company, which include—in addition to the major brands listed above—Highland Mist, Barton Reserve, Tom Moore and Colonel Lee, grew to 81 per cent of total sales in Fiscal 1970, up sharply from the 78 per cent in Fiscal 1969, and 73 per cent in Fiscal 1968.
- More important than the sales growth of these brands have been the corresponding profit increases. Profits from Canadian Mist, for instance, have grown over ten-fold in three years; Very Old Barton profits have more than doubled, and House of Stuart profits have almost doubled. As the profit contributions from these brands continue to increase, the Company has been able to trim the sales of lower profit brands.
- Marketing profits from all brands grew 26 per cent during the two year period. This growth has been achieved despite the increased outlays in marketing expenses; advertising and promotion expenses have tripled during this period, while the number of people employed in direct sales and marketing staff positions has more than doubled.

The turnabout first talked of in 1968 has been completed; Barton has successfully emerged from its past into an era of consumer marketing,

where its prime function is to develop strong brands that are profitable to the Company, its wholesalers, and retailers.

As further evidence of its commitment to brand marketing, the Company changed its name in January, 1970, to Barton Brands, Inc.

*Excluding Barton Western private label sales

The Game Plan

The successes of the past two years have resulted from the strict adherence to a marketing fundamental, the total concentration of our attention, resources, and promotional funds on our best opportunities in order to exploit them to the fullest.

In the beginning, the strategy was to concentrate on Canadian Mist nationally and on other brands in selected markets where they had already achieved a significant share. No attempt had been made to expand these brands.

Now, two years hence, that time has come. The overall strategy is working, marketing profits are increasing steadily, the business climate for alcoholic beverages remains strong, and, most important, the cadre of people is in place—including a stronger sales organization and seasoned brand managers.

The strategy remains the same, only now it has become a Game Plan. Simply stated, it is:

> Develop one brand at a time,
> in priority sequence,
> until Barton has a leading brand
> in every category.

As a first step in determining priorities, Barton invested heavily during the past year in consumer research to examine consumption habits and the nature and character of brand franchises in all whiskey categories.

Data were developed from 60,000 consumers, a research sample which exactly matched the U.S. population in both geographic and demographic profile. It is interesting to note that, while the sample size for this study included 60,000 people, the typical sample size for national research is normally less than 5,000 people. Nielsen TV and Gallup political studies both use samples of less than 1,500 people. The Barton sample was made this large in order to provide state and county readings in addition to national findings. To our knowledge this is the largest and most comprehensive study ever undertaken for the distilled spirits industry.

Obviously much of the data is confidential, but some broad implications, indicative of the nature and scope of the findings, can be given.

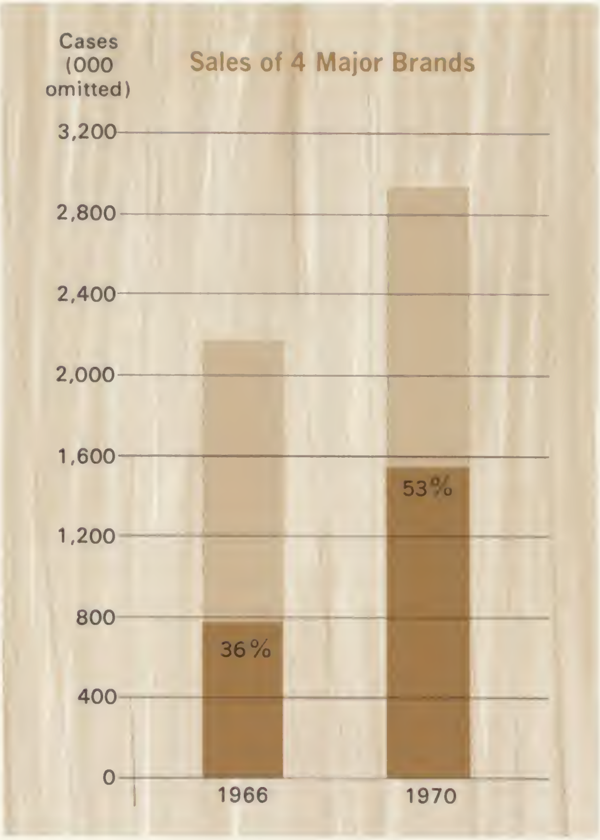
Here are some of the highlights:

- The study revealed that, while 56 per cent of the U.S. drinking age population consume some distilled spirits, 42 per cent drink whiskey. Men are a stronger market; 48 per cent of men consume whiskey, as opposed to 37 per cent of women.
- Although whiskey consumption occurs everywhere, it is primarily an urban behavior, with people located in metropolitan areas 2.7 times more likely to drink than people in rural areas.
- While all age groups are about equally likely to consume whiskey, there is a greater concentration of consumption among men in the 35-55 age group.
- A most significant finding was to discover the impact of heavy users, those who account for 15 or more drinks per week. Only 6 per cent of the adult population, or 7.5 million people, account for 57 per cent of all the whiskey consumed. Medium users, those who consume 6-14 drinks per week, represent 10 per cent of the adult population but consume 28 per cent of all whiskey sold. Thus, 16 per cent of the population accounts for 85 per cent of all consumption. The specific knowledge of who these people are, where they live, and what their current attitudes are toward individual brands has provided Barton with the information necessary to achieve its brand building objectives.

In the last week of June, as the 1970 Fiscal Year closed, Barton hosted at the Playboy Hotel Resort, in Lake Geneva, Wisconsin, a National Sales Conference attended by all of the Company's major customers, key members of the press, and representatives of banking groups. Over 350 people were present.

Assisted by a live Broadway-type cast, the Company presented in song and in strong selling presentation its Game Plan for the future.

On the following pages are the priorities that were communicated to the sales conference audience, the priorities upon which Barton has embarked for Fiscal 1971.



The company's four major brands now represent 53 per cent of total company sales compared with 36 per cent in 1967, the beginning of the "turning point in the marketing posture of Barton." These figures exclude private label sales from Barton Western.

Canadian Mist

As its top priority, Barton will continue the aggressive effort behind Canadian Mist, with the objective of making it not only a one million case seller by 1972, but one of the leading brands in the industry in any category by 1975.

At the sales conference in June, these lyrics were used to talk to the Company's wholesalers about Canadian Mist:

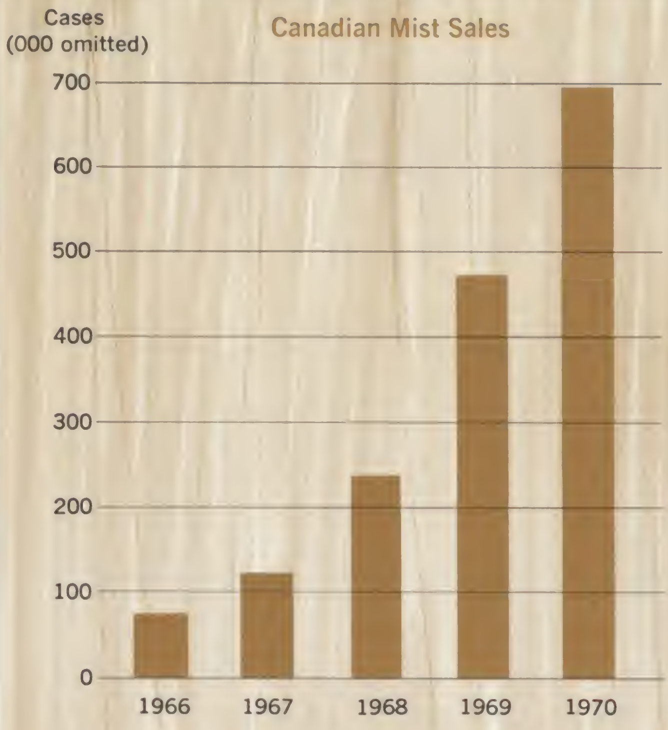
> 'It's the fastest growing brand in all the world,
> It's been a stellar seller since it's been unfurled;
> Soon you'll sell a million cases as never before,
> To prosperity you've opened the door.'

In 1969, the Canadian whisky market grew to 12.2 million cases, a 17 per cent increase over the prior year. Canadian whisky is the fastest growing category of distilled spirits, and it is estimated that sales will exceed 20 million cases by 1974.

Canadians bottled in the U.S., of which Canadian Mist is one, have grown in the last five years at a rate three times faster than foreign-bottled Canadians and now represent almost one third of all Canadian whisky sales. This trend is likely to continue and by 1975 the relative rankings of the two market segments will be reversed, with the U.S. bottled segment the major share.

The basic idea behind Canadian Mist was to offer the consumer of American blended whiskies an imported product that is lighter and better tasting, yet which sells at the same price. Initially this idea worked, as American blended whiskies generally plateaued, while Canadian whiskies grew at an accelerated rate. During the last year it has become apparent that consumers of higher-priced, foreign-bottled Canadians are also discovering Canadian Mist, as research indicated that sales were also being generated from this segment.

As a result of this apparent broadening of the consumer market, Barton's marketing strategy for Canadian Mist has been broadened to encompass two audiences. The primary audience will remain those prospects who consume American blended whiskies, of which 13 million cases are still sold at a premium price. A secondary audience for Canadian Mist promotion has now become consumers of foreign-bottled Canadians, an 8 million case market during 1969.



Case sales of Canadian Mist continued to exceed Company projections. The brand is on target towards its objective of reaching annual sales of 1 million cases in 1972.

Marketing communications expenses, including advertising and promotion, which had been static previously, have tripled since Fiscal 1967, and have given Barton marketing its impetus.

As Canadian Mist sales climbed to the 700,000 case level in Fiscal 1970, the impact of this brand on the Barton marketing scene became measurable. Distribution areas were suddenly opened, opportunities for other brands were created, and—most important—Barton marketing took on a stature of leadership.

Canadian Mist is today one of the most heavily advertised and promoted brands in the industry. In the current fiscal year, it has become the first nationally advertised brand in Barton's history, with heavy advertising schedules in two major mass magazines, plus intense newspaper and outdoor support in local markets from coast to coast.

Very Old Barton

The Company's second marketing priority is Very Old Barton Bourbon.

On the surface it appears that the bourbon market is relatively static. Sales in 1969 were 29.7 million cases, a modest increase from the 29.3 million cases recorded in 1968. It is estimated, however, that by 1975 bourbon sales should reach 35.5 million cases, a cumulative increase of 19 per cent over the 1969 level.

The most important trend in bourbon today is the concentration of more and more sales in fewer brands. In 1969, 10 bourbon brands accounted for 55.3 per cent of all sales, a substantial increase from the 52.4 per cent they represented in 1967. This trend is not unlike that which has occurred in many other industries; it resembles what automotive products went through in the '40's, soft drinks in the '50's, and beers in the '60's. The bourbon trend is likely to continue, with the top 10 brands representing as much as 60 per cent of total sales in 1975, and over 66 per cent by 1980.

The challenge is therefore clear. To remain viable in the bourbon business, Barton must have a brand that is ranked in the top 10 sellers.

With this challenge as a background, the Company announced at its sales conference a specific marketing objective of placing Very Old Barton in the top 10 sellers by 1975.

As a start, aggressive marketing programs have been launched in 15 key bourbon consumption states, accompanied by powerful advertising and promotional investments in each of these markets.

During the last two years, while most of the Company's efforts were directed towards Canadian Mist, Very Old Barton was sales-tested in five leading bourbon markets. In each of these markets it was felt that the opportunity was present for the launching of a new product, especially one that was aged longer and packaged more elegantly. Very Old Barton was the logical choice. It is a premium bourbon with the earned reputation of being one of the finest tasting whiskies available today. It is aged in wood 8 years until it reaches mellow perfection—and has a beautifully designed package.

The sales-test results were encouraging; the planned expansion into new markets has begun.

House of Stuart

The third marketing priority of the Company is to build House of Stuart into a national Scotch brand.

Over the last 15 years, the Scotch market has exhibited continued growth, increasing three times faster than the entire distilled spirits industry. Most of this growth has occurred in the past 5 years.

In 1969, Scotch sales were 17.1 million cases, a 6 per cent increase over the prior year. Seventy per cent of this increase was accounted for by the U.S. bottled Scotches.

The Scotch market can be divided into two segments: foreign and U.S. bottled. The strongest growth has been concentrated in the U.S. bottled segment, which now represents 33 per cent of all Scotch sales and will most likely grow to over 40 per cent by 1975.

The opportunity to build a national brand in the U.S. bottled segment is apparent. Although more than 100 brands are currently marketed, none has achieved dominance to the same degree as have some brands of foreign-bottled Scotches. House of Stuart, despite little promotional effort in the last few years outside of a few selected markets, and despite the fact that it was not even offered for sale in those key markets which represent over 40 per cent of Scotch sales, is enviably positioned to exploit this apparent opportunity.

Unlike most of its U.S. bottled competitors, House of Stuart is today offered for sale in almost every market. Further, it is already the 8th best

By featuring two decanters this Holiday season, a year in which decanters are generally being de-emphasized by most distillers, Barton has a unique selling advantage.

selling U.S. bottled Scotch, and the 17th best selling Scotch of any type.

At the sales conference in June, it was announced that House of Stuart was "going national". Unveiled at the meeting was a newly-designed package, the result of six months' planning and the best design efforts of one of the nation's leading packaging creators. Preliminary testing indicated that the new bottle stood out well in competition on the retailer's shelf, and was appealing to the Scotch drinker, who tends to be more urbane, better educated, with a higher than average income.

The strategy for House of Stuart is to establish distribution in every market, and then begin the process of developing a national franchise. The stated objective of the Company is to build this brand to a point where case sales exceed 500,000 a year.

House of Stuart is not solely a national brand today: it is now marketed in 44 countries around the world, in three of which—Italy, Switzerland, and Venezuela—it is currently heavily advertised.

If the Scotch market grows as anticipated, it is possible to forecast the point at which Scotch actually begins to outsell bourbon in the U.S. When this occurs, the impact upon the distilled spirits scene will be considerable. Barton's objective is to have House of Stuart positioned as a leading brand by that time.

Other Brands

Other Company brands, although not singled out for the same intense effort as Canadian Mist, Very Old Barton and House of Stuart, are of prime importance to Barton.

With Andre Simon Wines and The Glenlivet Scotch, the Company is seeking to carve out a profitable niche in the rapidly growing speciality area. A new marketing venture is underway for both these products this year.

Barton has discontinued its sales of non-branded fine wines and the entire sales effort of the Wine Division has been placed behind Andre Simon, with the objective of making it a national brand in the imported wine field.

The Company has always sold its entire allocation of The Glenlivet; but sales, in turn, have been restricted by limited product availability. This year, a new Glenlivet product, Special Export Reserve, has been introduced, and is being backed by regional magazine advertising. The objective is to place Glenlivet S.E.R. in the fast growing premium Scotch field.

Other Barton bourbons, especially Kentucky Gentleman, but including Tom Moore and Colonel Lee, retain leadership in many markets. These brands, along with Highland Mist Scotch and Barton Reserve blended whiskey, contribute to volume and profits of Barton and its wholesalers and complete a full-range whiskey marketing package. Each of these brands has a promotional program consistent with its growth and profit potential.

A Look Ahead

The next several years will be a time of great change in the Distilled Spirits industry. Total sales will likely grow by 1975 to over 170 million cases from the current 135 million, but growth by the individual whiskey categories will be uneven.

We expect the Canadian and Scotch categories to increase sharply in size and in relative market shares. Bourbon will grow in size but will probably lose from its current 22 per cent market share. Part of this loss will be caused by the 1972 introduction of a new category, Light Whiskey, which we expect will make greater inroads into the current blended whiskey market than any other category.

The other aspect of change will occur in brand leadership positions; substantial juggling will take place in some sectors of the industry.

Barton is geared today to accept the dual challenges of this change. The Company has embarked upon an aggressive marketing program, which, should its objectives be achieved, will place a Barton brand into a prime leadership position in three categories—Canadian, Bourbon and Scotch—by 1975.

To create this change, Barton will have to invest heavily in consumer marketing. Advertising and promotion expenses, which have more than tripled in the past three years, will have to be doubled again. The sales and marketing

organization, which has doubled in the last three years, will again be doubled. A sales volume target of more than $200 million by 1975 is not unrealistic.

During the decade of the 70's, more marketing opportunities will occur, and more goals will be established but, as a minimum, the Company should finish the decade with three brands selling in excess of the magic one million case per year mark. One of these—Canadian Mist—should exceed two million cases per year.

The attention of the Company's major customers, key members of the press, representatives of banking groups, and Barton's field sales management is focused on professional singers and dancers who introduced each segment of the National Sales Conference in June. The Company's Game Plan for the future was presented.

BARTON BRANDS INC.
and Consolidated Subsidiaries

Statement of Consolidated Income For the Years Ended June 30, 1970 and 1969

	1970	1969
Net Sales	**$120,066,943**	$114,218,485
Cost of Sales	**101,578,043**	99,954,746
Gross Profit on Sales	**18,488,900**	14,263,739
Selling, General and Administrative Expenses	**11,809,750**	8,127,437
Operating Income	**6,679,150**	6,136,302
Other Income Charges (Credits):		
Interest expense and amortization of debt discount and expense	**2,746,272**	2,437,439
Other income—net	**(298,319)**	(47,589)
Equity in undistributed earnings of foreign affiliates (Note 1)	**97,662**	229
Net	**2,545,615**	2,390,079
Income Before Income Taxes	**4,133,535**	3,746,223
Provision for Taxes on Income	**2,100,000**	1,926,000
Net Income	**$ 2,033,535**	$ 1,820,223
Earnings Per Share of Common Stock	**$ .79**	$ .71

Depreciation and amortization for 1970 and 1969 were $739,670 and $630,144, respectively.

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Consolidated Retained Earnings For the Years Ended June 30, 1970 and 1969

	1970	1969
Balance at Beginning of Year	**$15,645,281**	$14,998,348
Add:		
Net income for the year	**2,033,535**	1,820,223
Total	**17,678,816**	16,818,571
Deduct:		
Dividends—		
Cash dividend—6% cumulative preferred stock at $6.00 per share	**11,250**	11,250
Stock dividend—common stock, on common at 4%	**805,350**	1,162,040
Total	**816,600**	1,173,290
Balance at End of Year (Note 3)	**$16,862,216**	$15,645,281

Statement of Consolidated Additional Paid-In Capital For the Years Ended June 30, 1970 and 1969

	1970	1969
Balance at Beginning of Year	**$ 5,460,783**	$ 4,406,645
Excess of market value over par value of common stock issued as stock dividend	**706,776**	1,067,257
Difference between market value and cost of shares issued as stock bonuses and options—net	**18,069**	(13,119)
Balance at End of Year	**$ 6,185,628**	$ 5,460,783

The accompanying Notes to Financial Statements are an integral part of these statements.

BARTON BRANDS INC.
and Consolidated Subsidiaries

Consolidated Balance Sheet As of June 30, 1970 and 1969

Assets

	1970	1969
Current Assets:		
Cash	**$ 3,033,520**	$ 4,740,267
Receivables—		
Trade (less allowance for doubtful accounts—1970, $244,205; 1969, $162,941) (Note 3)	**14,088,482**	16,328,143
Accrued warehouse charges	**288,684**	205,023
Other	**343,656**	422,473
Inventories—at lower of cost or market (Notes 2 and 3)—		
Bulk whiskeys	**40,553,012**	38,175,972
Case goods	**4,084,516**	4,509,171
Raw materials and supplies	**1,591,773**	1,381,843
Total Current Assets	**63,983,643**	65,762,892
Property and Plant—at cost:		
Land	**140,339**	127,586
Buildings, machinery, etc.	**11,648,838**	10,083,797
Total	**11,789,177**	10,211,383
Less accumulated depreciation and amortization	**4,116,861**	3,410,837
Property and Plant—Net	**7,672,316**	6,800,546
Other Assets and Prepaid Expenses:		
Investments in and advances to foreign affiliates (Note 1)	**2,513,530**	1,911,108
Non-current receivable, prepaid expenses and deferred charges	**641,669**	712,896
Total	**3,155,199**	2,624,004
	$74,811,158	$75,187,442

Liabilities and Shareowners' Equity

	1970	1969
Current Liabilities:		
Notes payable (Note 3)—		
Bank loans	**$ 9,000,000**	$ 9,500,000
Current maturities—long-term debt	**2,575,000**	2,621,000
Accounts payable—trade	**1,169,726**	1,560,435
Accrued liabilities—		
Taxes, other than income taxes (including Federal excise taxes)	**6,102,768**	7,529,134
Other	**1,376,349**	1,297,890
Federal and state income taxes	**980,710**	475,364
Total Current Liabilities	**21,204,553**	22,983,823
Long-Term Debt (Note 3)	**25,322,000**	26,582,000
Deferred Income Taxes	**1,447,850**	1,079,850
Shareowners' Equity (Notes 3, 4 and 5):		
Preferred shares, $100.00 par value, 6% cumulative— authorized, issued and outstanding, 1,875 shares	**187,500**	187,500
Common shares, $1.00 par value— authorized 3,000,000 shares; issued—1970, 2,569,961 shares; 1969, 2,464,368 shares	**2,569,961**	2,464,368
Additional paid-in capital	**6,185,628**	5,460,783
Contributed capital (Note 4)	**1,104,876**	922,640
Retained earnings (Note 3)	**16,862,216**	15,645,281
Total	**26,910,181**	24,680,572
Less—Common shares held in treasury, at cost—1970, 6,835 shares; 1969, 12,218 shares	**73,426**	138,803
Shareowners' Equity—Net	**26,836,755**	24,541,769
	$74,811,158	$75,187,442

The accompanying Notes to Financial Statements are an integral part of this statement.

BARTON BRANDS INC.
and Consolidated Subsidiaries

Statement of Consolidated Source and Use of Funds For the Years Ended June 30, 1970 and 1969

	1970	1969
Source of Funds:		
From Operations:		
Net earnings for year	**$2,033,535**	$1,820,223
Depreciation and amortization	**739,670**	630,144
Increase in deferred income taxes	**368,000**	578,000
Total	**3,141,205**	3,028,367
Increase in long-term debt	**2,970,000**	5,436,000
Capital contributed through foreign government grants	**182,236**	350,748
Decrease in non-current receivable, prepaid expenses and deferred charges	**71,227**	—
Net change in treasury shares	**53,686**	262,844
Issuance of common stock	**36,779**	—
Total	**$6,455,133**	$9,077,959
Use of Funds:		
Increase in working capital	**$ 21**	$2,483,358
Additions to property and plant—net	**1,611,440**	1,803,374
Decrease in long-term debt	**4,230,000**	4,141,000
Dividends paid	**11,250**	11,250
Increase in non-current receivable, prepaid expenses and deferred charges	**—**	219,257
Increase in advances to foreign affiliates	**602,422**	419,720
Total	**$6,455,133**	$9,077,959

The accompanying Notes to Financial Statements are an integral part of this statement.

Auditors' Report

To the Board of Directors and Shareowners of
Barton Brands, Inc.

We have examined the consolidated balance sheet of Barton Brands, Inc. (a Delaware corporation) and consolidated subsidiaries as of June 30, 1970, and the related statements of consolidated income, retained earnings, additional paid-in capital, and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination for the preceding year. We did not examine the financial statements of one consolidated subsidiary and certain foreign affiliates, but we reviewed the reports on the examinations of their statements by other independent public accountants. Our opinion expressed herein is based upon our examination and upon the aforementioned reports of other public accountants.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Barton Brands, Inc. and consolidated subsidiaries as of June 30, 1970 and 1969 and the consolidated results of their operations and source and use of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Chicago, Illinois
August 28, 1970

Katz, Wagner and Company

(1) PRINCIPLES OF CONSOLIDATION: The accounts of all United States and Canadian subsidiaries (all of which are wholly-owned) have been consolidated. The investments in other foreign affiliates owned 50 per cent or more are shown at the Company's cost plus its equity in undistributed earnings since acquisition. No provision for Federal income taxes has been made on the undistributed earnings, since such earnings will be taxable as dividends, if, and when received by the Company. Substantially all of these earnings have been invested in the business and are not available for the payment of dividends.

Intercompany profits, transactions, and balances have been eliminated in consolidation, and with respect to foreign affiliates stated at cost plus equity in undistributed earnings, intercompany profits have been eliminated.

(2) INVENTORIES: Inventories are reported at lower of cost or market. Certain Company produced bulk whiskies in the amount of $23,846,547 are reported under the last-in, first-out method. All other inventories are valued under the first-in, first-out, average cost or a specific identification method.

(3) LONG-TERM DEBT AND COLLATERAL PLEDGED:

Long-term debt at June 30, 1970, consisted of the following:

Secured Notes, under separate indentures:	
5¼% due August 1, 1971	$ 155,000
6¾% due September 1, 1971	1,570,000
7% due April 1, 1972	1,220,000
6½% due September 1, 1972	520,000
7½% due September 15, 1972	1,060,000
5¼% due August 1, 1973	600,000
9¾% due October 14, 1973	1,170,000
6½% due September 1, 1974	520,000
6¾% due August 31, 1975	615,000
6¾% due September 1, 1975	615,000
7½% due September 15, 1976	1,030,000
9¾% due October 14, 1977	1,800,000
Total (secured by bulk whiskey in bond carried at cost of $12,163,035)	$10,875,000
6.435% Term loan, under Loan Agreement (less current maturity of $790,000) payable in annual installments of $790,000 on October 31 of the years 1971-1982 and $786,000 on October 31, 1983	10,266,000
5½% Subordinated Notes (under Purchase Agreements):	
Series A (less current maturity of $333,000) payable in annual installments of $333,000 on February 1, 1972 to 1975 and $128,000 on December 1, 1975	1,460,000
Series B due December 1, 1975	1,875,000
7% Mortgage Notes (less current maturity of $77,000) payable in annual installments of $77,000 on May 1, 1972 to 1981 and $76,000 on May 1, 1982 (secured by mortgage on Canadian distillery)	846,000
Total	$25,322,000

In addition to the $12,163,035 of bulk whiskey pledged, referred to above, $1,644,720 of bulk whiskey in bond was pledged at June 30, 1970 to secure $1,375,000 of current maturities under Secured Notes, included in current liabilities.

During October, 1969 the Company entered into a new agreement with several banks and American National Bank and Trust Company of Chicago, as Agent, under which the line of credit in respect to short-term loans was renewed for $12,500,000 and was extended to October 31, 1970.

Under the Loan Agreement (long-term loan) with the Mutual Life Insurance Company of New York and the Line of Credit Agreement (short-term loan) with the American National Bank and Trust Company of Chicago, as Agent for the several banks, the Company is required to maintain trade accounts receivable and whiskey inventories free and clear of liens and encumbrances (except for governmental tax liens and charges on whiskey not yet due) in specified percentages of the outstanding aggregate indebtedness under the term and line of credit loans, and upon request, the Company shall assign the above described assets as collateral security for the aforementioned loans.

The various loan agreements contain certain restrictions relating to, among other things, payment of cash dividends, acquisition of capital stock and debt limitations. Under the most restrictive provisions the amount of consolidated retained earnings available at June 30, 1970 for payment of cash dividends was approximately $1,240,000.

(4) CONTRIBUTED CAPITAL: One of the Company's wholly owned subsidiaries, together with one of its affiliates, have received grants in aid as an incentive for the construction of distilling facilities in foreign countries, as follows:

Country	Amount
Canada	$ 984,788
United Kingdom	120,088
Total	$1,104,876

(5) STOCK OPTIONS: Under the corporation's Stock Option Plan, key executive employees may be granted options to purchase common stock at 100% of market value at the date of granting. As of June 30, 1970 there were 70,110 common shares reserved under plans on which options for 45,206 common shares had been granted. Of the total options outstanding, 20,617 were exercisable. During the year ended June 30, 1970, options for 6,000 shares were granted at $9.75 per share, options for 7,625 shares were exercised, and options for 15,440 shares were cancelled.

Options outstanding at June 30, 1970 were exercisable at prices ranging from $5.24 to $11.69.

(6) SALARIED EMPLOYEES TRUST: The Company has a non-contributory trust for salaried employees, to which contributions from earnings are made in such amounts as are determined by the Company each year. For the year ended June 30, 1970, the contribution to this trust amounted to $174,195 of which $20,000 is payable in shares of the Company's common stock from its treasury (valued at market on the date the stock is transferred) and $154,195 in cash.

(7) CONTINGENCIES: An agreement between the Company and three principal officer-shareowners, under which such officers are to be employed until November, 1971, provides that, in the event of any such officer's death, his widow or estate will receive post mortem benefits, equal to twice the deceased officer's annual salary, payable ratably over ten years. Such payments shall be made only if consolidated income (before income taxes and extraordinary items) is at least $2,600,000 for the preceding year.

Directors and Officers

BOARD OF DIRECTORS

Lester S. Abelson
Morton S. Abelson
W. Yost Fulton
Oscar Getz
George N. Saum
Ralph D. Silver
Harry N. Wyatt

OFFICERS

Oscar Getz
Chairman of the Board

Lester S. Abelson
President

Morton S. Abelson
Executive Vice President

Duane H. Maas
Vice President—Administration and General Manager

Jerry Adler
Vice President—Director of Marketing & Sales

Paul L. Kraus
Vice President—Production

Ralph D. Silver
Financial Vice President and Treasurer

William M. Getz
Vice President and General Sales Manager

Robert F. Kinsey
Vice President—Manager of Marketing Communications

Fred R. Mardell
Vice President and Secretary

Stuart L. Sax
Vice President—Marketing Manager

Herb Collins
Vice President and Divisional Sales Manager

Roy Flint
Vice President and Divisional Sales Manager

Sydney A. Weinstock
Vice President and Divisional Sales Manager

F. Zuckerberg
Assistant Secretary and Assistant Treasurer

A. Keene
Assistant Treasurer

TRANSFER AGENTS

American National Bank
and Trust Company of Chicago

Manufacturers Hanover
Trust Company, New York

STOCK LISTING

American Stock Exchange
Midwest Stock Exchange
(Symbol—BBR)

REGISTRARS

Harris Trust and Savings Bank, Chicago

United States Trust
Company of New York

BARTON BRANDS INC.
and Consolidated Subsidiaries

FOR FISCAL YEARS ENDED JUNE 30

TEN YEAR FINANCIAL SUMMARY
(Dollars in thousands, except per share amounts)

	1970
Net Sales	**$120,067**
Case Goods Sales	**117,293**
Net Income Before Taxes on Income	**4,134**
Provision for Taxes on Income	**2,100**
Net Income	**2,034**
Earnings per Share of Common Stock	**.79**
Federal Excise Taxes	**82,714**
State Taxes (other than income taxes)	**1,001**
Investment in Plant and Equipment—at Cost (before depreciation)	**11,789**
Inventories—at Cost	**46,229**
Long-Term Debt	**25,322**
Total Assets	**74,811**
Total Liabilities	**47,974**
Shareowners' Equity	**26,837**
Book Value per Share of Common Stock	**10.39**
Number of Employees (actual number)	**617**
Investment per Employee	**121**

The Annual Meeting will be held at 10:00 a.m. on Wednesday, October 14th, at Barton's Executive Offices, 17th Floor, 200 South Michigan Avenue, Chicago, Illinois 60604.

1969	1968	1967	1966	1965	1964	1963	1962	1961
$114,218	$114,430	$101,708	$93,727	$87,454	$84,703	$79,951	$70,583	$68,472
110,637	107,416	99,544	91,147	86,264	83,988	78,545	68,492	64,402
3,746	2,654	3,170	3,365	3,439	3,383	2,950	4,019	3,880
1,926	1,290	1,510	1,610	1,680	1,743	1,619	2,120	2,007
1,820	1,364	1,660	1,755	1,759	1,640	1,331	1,899	1,873
.71	.53	.64	.68	.68	.64	.52	.74	.73
79,282	77,543	73,084	67,666	62,736	61,283	56,292	48,409	45,440
1,204	1,296	1,433	1,139	1,010	743	776	1,105	1,224
10,211	8,499	7,476	5,891	5,484	5,175	5,154	4,825	3,800
44,067	37,938	40,370	34,365	28,701	24,406	21,753	19,724	15,867
26,582	25,287	22,834	20,167	17,119	16,472	17,105	15,042	14,657
75,187	65,767	70,183	62,051	52,341	47,609	43,503	39,843	32,047
50,645	43,648	49,563	43,472	35,368	32,318	29,691	27,324	21,363
24,542	22,119	20,620	18,579	16,973	15,291	13,812	12,519	10,684
9.50	8.56	7.97	7.18	6.55	5.89	5.32	4.81	4.09
590	577	571	458	412	441	431	468	431
127	114	123	135	127	108	101	85	74

Per share figures based on 2,563,126 shares outstanding as of June 30, 1970